

CITY OF
RIVERSIDE

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE:** September 27, 2005

FROM: PUBLIC UTILITIES DEPARTMENT

ITEM NO: 26

WARD:

SUBJECT: ADOPTION OF RIVERSIDE PUBLIC UTILITIES LONG-TERM STRATEGIC PLAN

ISSUE:

The Board of Public Utilities and staff recently developed a Long-Term Strategic Plan expected to guide the direction of Riverside Public Utilities over the next 15 to 20 years. The plan is recommended for adoption by the City Council.

RECOMMENDATIONS:

That the City Council:

1. Approve and adopt the attached Riverside Public Utilities Long-Term Strategic Plan.

BACKGROUND:

The City Council and Board of Public Utilities have supported the three year strategic plans developed in 2001 and again in 2004 which specifically list goals and objectives that have been identified to retain competitive rates, provide high quality service, provide greater reliability, and help improve the community for the customers of Riverside Public Utilities (RPU). However, The Board of Public Utilities and staff determined that goals and objectives should be developed for a longer term planning horizon.

The Board of Public Utilities and staff held several workshops from February to July 2005 to discuss, strategize, and develop a long-term strategic plan for RPU. The focus was on long-range goals for the next 15 to 20 years. Many aspects of the Utilities Department require looking well into the future to plan and implement the required resources and infrastructure to provide water and electric services to our customers. Power needs are projected twenty years into the future. Participating in a large power plant to meet those needs often takes 4 to 7 years from initial discussions to completion. Large water mains of five to six feet in diameter also take years of planning and coordination, and cost millions of dollars.

The three major components of RPU's Mission Statement served as the focus when developing the plan. Major goals were developed and then objectives were identified as components of each goal. These objectives assist in measuring the success of implementing the overall goals. The detailed objectives for each goal are listed in the attachment.

“The Highest Quality Water and Electric Services...” We identified the following 12 specific Goals related to this component. The Board also developed 76 objectives that would help RPU implement the overall goals.

- **Be recognized as an industry leader**
- **Attract, develop and retain quality employees**
- **Improve and maintain our excellent level of customer service**
- **Provide a strong customer communication and education program**
- **Provide conservation and efficiency programs**
- **Assure all customer energy requirements are met**
- **Maintain a diverse, economic, and reliable power resource portfolio**
- **Provide a safe, reliable, and economic long-term water supply**
- **Meet or exceed all drinking water standards to ensure high quality water**
- **Adopt a cost effective asset management plan to minimize life cycle costs while maintaining service standards**
- **Optimize use of recycled/non-potable water for irrigation and recharge purposes**
- **Monitor and protect system security on a real time basis**

“The Lowest Possible Rates...” We identified the following three specific Goals related to this component. The Board also developed 20 objectives that would help RPU implement the overall goals.

- **Improve and protect the current financial health of RPU**
- **Identify and control cost to serve objectives**
- **Monitor and influence changes in market structure to ensure rate stability for customers**

“To Benefit the Community...” We identified the following eight specific Goals related to this component. The Board also developed 71 objectives that would help RPU implement the overall goals.

- **Help make Riverside a better city**
- **Ensure RPU remains healthy and successful**
- **Plan for the City’s annexation initiatives**

- **Maintain a safe environment**
- **Protect and advocate RPU's interest in legislative forums**
- **Enhance brand identity to assist in customer awareness**
- **Protect property resources**
- **Maximize the benefits of communication assets**

In summary, RPU's Long-Term Strategic Plan consists of 23 goals with 167 objectives that RPU needs to accomplish over the next 15 to 20 years to continue fulfilling our mission to the City of Riverside residents and businesses, and to reach RPU's full potential as a department of the City of Riverside. The Long-Term Strategic Plan is considered a "living" document and will be reviewed by the Board of Public Utilities on an annual basis and updated as required.

FISCAL IMPACT:

Fiscal impacts from implementation of the Long-Range Strategic Plan will be included in the annual budgets of the Utilities Department over the next 15 to 20 years.

ALTERNATIVES:

One alternative would be to not adopt the long-term strategic plan and continue without a plan for the future.

Prepared by:



DAVID H. WRIGHT
Public Utilities Director

Approved by:



BRADLEY J. HUDSON
City Manager

Approved as to form:

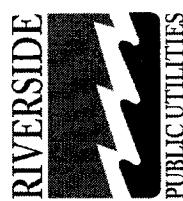
GREGORY P. PRIAMOS
City Attorney

Attachment: City of Riverside Public Utilities Long-Term Strategic Plan – Goals Listing – July 2005
Board of Public Utilities meeting minutes – July 15, 2005

City of Riverside Public Utilities

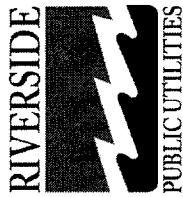
LONG TERM STRATEGIC PLAN – GOALS LISTING

July 2005

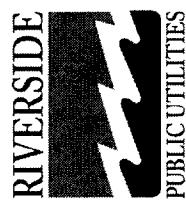


OUR MISSION STATEMENT

The City of Riverside Public Utilities is committed to the highest quality water and electric services at the lowest possible rates to benefit the community.

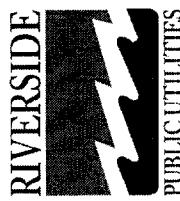


THE HIGHEST QUALITY
WATER AND ELECTRIC
SERVICES...:



BE RECOGNIZED AS AN INDUSTRY LEADER

- Focus on our core services of water and energy
- Maintain a strong relationship between the Board and City Council
- Advise City Council to recruit potential Board members with specialized needed skills (i.e. legal, accounting, engineering where possible)
- Maintain 1st quartile benchmarks in all service areas
- Receive state and national awards and recognition
- Obtain grant funding, endowments and trust funds
- Explore services to other utilities or agencies within the region to create revenue



ATTRACT, DEVELOP AND RETAIN QUALITY EMPLOYEES

- Be an employer of choice
- Implement a comprehensive cross-training, development, and succession planning program to support internal advancement
- Identify and reward high performance/high profile employees
- Implement a pay for performance compensation plan
- Strongly encourage employee participation for career development
- Provide ongoing training and education programs
- Provide a strong internship program
- Provide competitive compensation and benefits within the Utility industry
- Promote diversity and inclusiveness within the organization

IMPROVE AND MAINTAIN OUR EXCELLENT LEVEL OF CUSTOMER SERVICE

- Maintain service satisfaction levels at 95% or above
- Periodically survey the needs and wants of our customers
- Expand on the “ONE-CALL CENTER” and move toward 24/7 operators
- Present rate plans to customers to provide an understanding of Utility operations
- Use up-to-date technology to provide customer service options
- Implement Automated Meter Reading
- Facilitate ways for customers to control their usage through real-time feedback (real time pricing, demand response programs, etc.)

PROVIDE A STRONG CUSTOMER COMMUNICATION AND EDUCATION PROGRAM

- Develop a comprehensive education and resource manual covering all aspects of the organization for use by employees, governing boards and the public
 - Continue to reinforce that RPU is owned by the people it serves
 - Provide ongoing, interesting customer education and information
 - Communicate customer education programs and materials to employees
- Provide community education regarding short- and long-range success strategies
 - Partner with schools for student education
 - Enhance the Utility website so it is comprehensive, successful, and easy to use
 - Produce materials in languages to meet the needs of our customers

PROVIDE CONSERVATION AND EFFICIENCY PROGRAMS

- Reduce average water consumption by 20% by all customer segments
- Riverside is to be known as the “greenest city” in region to benefit the community
- Include photovoltaic projects on compatible municipal buildings
- Promote city buildings as models of conservation “*sustainable design*” and efficiency (i.e. LEED certified)
- Encourage energy conservation and load shifting technologies
- Create strong incentives for efficient use of water for landscaping purposes
- Obtain recognition for our strong renewable efforts

ASSURE ALL CUSTOMER ENERGY REQUIREMENTS ARE MET

- Meet or exceed Southern California electric reliability standards
- Maintain high-quality energy delivery service standards
- Maintain outage response time requirements
- Improve the comprehensive maintenance programs for the two highest causes of distribution outages: trees and cable
- Expand our distribution automation and explore new technologies such as automated outage management
- Develop a comprehensive transmission plan
- Pursue a second point of transmission interconnection

MAINTAIN A DIVERSE, ECONOMIC, AND RELIABLE POWER RESOURCE PORTFOLIO

- Adopt and implement Resource Adequacy (load and backup) Standard
- Perform bi-annual updates of the Long-range Load Forecast and Resource Plan
- Replace and/or renegotiate expiring power supply contracts as needed
- Procure renewable resources to meet or exceed the adopted Renewable Portfolio Standard
- Expand resource optimization efforts to reduce costs
- Maintain high availability factor for generating plants and contracted resources
- Expand and enhance our Renewable Energy Resources



PROVIDE A SAFE, RELIABLE, AND ECONOMIC LONG TERM WATER SUPPLY

- Protect and enhance local water rights
- Protect from legal challenges by others
- Purchase shares in water companies as available
- Protect resource basins from contamination
- Investigate the Riverside Basin safe yield and recharge potential
- Optimize water supplies through installation of new treatment plants
- Consider various treatment alternatives as appropriate and different sites such as Downtown, Pellisier Ranch, and Grand Terrace

MEET OR EXCEED ALL DRINKING WATER STANDARDS TO ENSURE HIGH QUALITY WATER

- Monitor the water supply on a real time basis
- Install real time chlorine residual monitoring in the water distribution system
- Participate on standards development at state and national levels
- Pursue funding for treatment through legal, regulatory and grant funding
- Ensure elected officials and Board members are informed of relevant water quality issues

ADOPT A COST EFFECTIVE ASSET MANAGEMENT PLAN TO MINIMIZE LIFE CYCLE COSTS WHILE MAINTAINING SERVICE STANDARDS

- Implement an asset management program for water and electric assets
- Build an infrastructure to assure a reliable water supply to meet future demand
 - Refurbish or replace wells, booster station pumps, pressure reducing stations, structures and grounds, and motors on a scheduled basis
- Replace aging pipelines in a timely manner to reduce failures and repair costs
- Repair, replace and increase reservoirs as required
- Repair and replace other distribution assets as required
- Implement a proactive maintenance program for rotating equipment
- Maintain meter accuracy within acceptable standard



OPTIMIZE USE OF RECYCLED / NON-POTABLE WATER FOR IRRIGATION AND RECHARGE PURPOSES

- Complete recycled water EIR
- Develop a financing plan for implementation of the recycled water program
- Pursue delivery of recycled water through Riverside and Gage Canals
- Review phase II or subset of recycled water program
- Pursue grant funding for the recycled water program wherever possible

MONITOR AND PROTECT SYSTEM SECURITY ON A REAL TIME BASIS

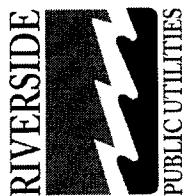
- Enhance security sensors to SCADA
- Install surveillance equipment at all necessary sites
- Ensure that all employees are easily identifiable by customers

AT THE LOWEST POSSIBLE
RATES...:



IMPROVE AND PROTECT THE CURRENT FINANCIAL HEALTH OF RPU

- Maintain a rolling 10-year financial plan which includes major cost drivers
- Analyze financial impacts of all major projects and policy decisions
- Maintain approved cash reserve levels
- Maintain or improve financial ratings to ensure low borrowing costs
- Maintain financial ratios at or above industry standards
- Maintain competitive rates
- Evaluate in-house vs. outsourcing in critical areas such as technology
- Evaluate opportunities for shared costs/resources with other entities



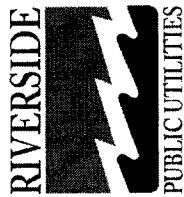
IDENTIFY AND CONTROL COST TO SERVE OBJECTIVES

- Continue Best Practices Surveys to measure ourselves against other key utilities
- Expand strategic alliances with major suppliers of materials to reduce costs
- Evaluate the effectiveness of key service functions such as storeroom and fleet management
- Begin pre-loading of materials and job site deliveries
- Create strategic alliances with other utilities
- Form local and global resource and material alliances
- Review Deployment Centers – move closer to our customers

MONITOR AND INFLUENCE CHANGES IN MARKET STRUCTURE TO ENSURE RATE STABILITY FOR CUSTOMERS

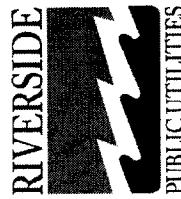
- Actively participate in CAISO stakeholder processes
- Use state-of-the-art technology to analyze costs associated with changing markets, counter-party risk, power costs and revenues
- Analyze impacts of changes in market structure through risk management policies and overall business practices
- Join with other municipal utilities to ensure risk management policies are implemented throughout the region
- Anticipate and prepare for significant changes in the energy market structure

TO BENEFIT THE COMMUNITY.



HELP MAKE RIVERSIDE A BETTER CITY

- Support Citywide goals and objectives and take the lead in those that are uniquely suited to the Utility
- Maintain the obligation to serve
- Ensure adequate Utility infrastructure exists
- Charge competitive rates
- Be noted as a top quality utility and city department to customers and other city departments
- Ensure staffing and support levels meet the needs of our customers
- Provide strong incentives for economic development and communicate results
- Ensure low-income customers have access to services
- Maintain and improve street lighting levels
- Expedite undergrounding through an identified revenue source
- Lead the development of “Green City Initiative” with other City Departments and interested parties
 - Reduce outages through aggressive tree trimming



ENSURE RPU REMAINS HEALTHY AND SUCCESSFUL

- Ensure the financial viability of the Utility through appropriate rates and reserves
- Partner with other organizations to ensure goals are accomplished
 - Maintain a strong legislative presence
 - Create revenue enhancing products and services
 - Maintain strong disaster response capabilities
 - Ensure RPU is reimbursed fairly for assets used by others
 - Ensure that overhead cost allocations are set at competitive levels
- Promote a General Fund Transfer (GFT) to ensure financial health and a competitive utility position
- Develop internal administrative support functions where possible
- Develop an MOU approach for inter-department services

PLAN FOR CITY'S ANNEXATION INITIATIVES

- Provide water and electric services to all Riverside residents
- Continue to explore our ability to provide water and electric services to all customers served by other agencies
- Improve already installed facilities in annexed areas to meet our standard levels of service
- Analyze and communicate the Utility impacts of annexations
 - No negative rate impacts to existing customers
 - Leverage developers to provide land for utility needs in new developments through impact fees, etc.
- Obtain information on the City's future plans and needs from other departments
- Implement exit fees as directed by city council

MAINTAIN A SAFE ENVIRONMENT

- Protect employees and customer safety during all Utility operations
- Ensure the Utility Safety Officer has adequate resources to effectively fulfill the responsibilities of the position
- Employees must take ownership of equipment, tool and vehicle inspection, maintenance and replacement program
- Expand the existing training facility to meet our needs
- Employees shall receive a minimum of 40 hours of safety instruction and job skill training per year
- Every employee shall be empowered to be responsible and accountable for their own work environment
- Ensure each employee is aware of their personal safety training program needs
- Implement a Job Safety Analysis Program that will review and assess high-risk job classifications
- Promote ergonomic design where possible
- Create training alliances with other cities
- Surpass industry safety and training standards

PROTECT AND ADVOCATE RPU'S INTEREST IN LEGISLATIVE FORUMS

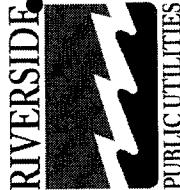
- Preserve and protect local control
- Support assertive legislative advocacy individually and with industry associations
- Active participation in the regulatory and market stakeholder processes
- Ensure adequate legal staffing and support
- Protect Utility interests and assets, and pursue damages where appropriate

ENHANCE BRAND IDENTITY TO ASSIST IN CUSTOMER AWARENESS

- Be the retail service provider for all water and electricity customers in Riverside
- Ensure Riverside Public Utilities is the utility of choice for all customers
- Develop Utility specific development programs for all customer segments
- Maintain a high level of community involvement
- Continue strong communication efforts aimed at branding and rates
- Be positioned for possible deregulation and a changing industry environment

PROTECT PROPERTY RESOURCES

- Identify property needs in advance to assist with Utility and city planning efforts
- Obtain property for reservoirs to support storage and emergency needs of our customers
- Identify reservoir sites and commence procurement efforts well in advance
- Dispose of excess property at fair market value
- Utilize proceeds from existing property sales for new property needs
- Maximize the rate of return on owned property while retaining flexibility to meet the needs of our customers
- Enter into long term leases only when there is no negative impact to the Utility
- Impute value of below market leases and reduce GFT accordingly
- Obtain property before development occurs
- Develop a long range space plan and obtain required property
- Acquire property for Work Center(s)
- Locate employees in the most efficient location for the Utility customers



MAXIMIZE THE BENEFITS OF COMMUNICATION ASSETS

- All new substations will have fiber optic service
- Fiber system will be supplemented with point to point radio as needed
- Fixed radio system expanded to support Distribution Automation
- Continue to support other City department communications needs on a cost savings/sharing basis
- Lease dark fiber to other communications service providers
- Explore use of fiber for community improvement and economic development
- Develop alternate forms of customer communication during outages

